
Finance Committee

HB 2062

Brief Description: Providing for the creation of a public speedway authority.

Sponsors: Representatives Simpson, Orcutt, Dunshee, Fromhold, Strow, Chase, O'Brien, Sells, Ormsby, Curtis, B. Sullivan, Haler, Takko, Hankins, Ericks, McCoy, Pettigrew, Armstrong, Quall, Williams, Chandler and Bailey; by request of Lieutenant Governor.

Brief Summary of Bill

- Authorizes the creation of a public speedway authority to develop a professional motorsports entertainment and family recreation facility.
- Allows public speedway authority to impose a 0.048 percent sales and use tax and a 5 percent admissions tax at the facility.

Hearing Date: 2/20/07

Staff: Rick Peterson (786-7150).

Background:

Major sports and recreation facilities have been created and funded in Washington using special purpose districts and tax revenues. Taxes utilized for these purposes have included hotel-motel taxes, car rental taxes, admission taxes, and sales and use taxes that are offset against the state sales and use tax. In addition, state lottery revenues have been used for this purpose.

Summary of Bill:

Public Speedway Authority. A public speedway authority may be created for the purpose of developing a professional motorsports entertainment and family recreation facility. A professional motorsports entertainment and family recreation facility is a facility designed to be used for top tier professional motorsports events including a closed course speedway, grandstands with a seating capacity of at least 83,000, control towers, and support facilities. The authority may be created in an area made up of between one and three counties with a total population of at least 400,000. The authority is created by the adoption of a resolution by either a first class city

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that intends to annex the territory where the facility is located or the county where the facility is located. If the authority contains more than one county then at least one other county inside the authority must concur. A seven member board of directors is appointed: two members by the Governor, two members by the host city or three members if the county is the host jurisdiction, and at least one member from each county within the authority.

Tax Related Provisions. Starting January 1, 2011, the public speedway authority may impose a sales and use tax of 0.048 percent within the authority's boundaries. The tax is credited against the state sales and use tax and therefore consumers will not experience an increase in tax. The proceeds of the tax will be used exclusively for paying the costs of acquiring, permitting, designing, developing, constructing, and equipping the professional motorsports facility. These costs include debt service and costs related to issuing debt including costs of credit enhancements. The tax ends when the bonds are paid or 25 years after the tax starts.

The authority may impose a 5 percent admissions tax at the motorsports facility. The proceeds are used as follows: either 80 percent to the costs of construction and 20 percent to the host jurisdiction, or 100 percent to the host jurisdiction to pay for off-site public infrastructure necessary for operation of the facility. After the facility's initial costs are paid, the tax will be used to pay for other authority debt and credit enhancement on authority debt. Amounts in excess of these requirements will go to the host jurisdiction. As long as the authority is imposing the admission tax the county or city may not impose an admission tax at the facility.

A sale and use tax deferral is created for the development of the facility. The tax is deferred for five years. Repayment is made over 10 years. The lessee of the facility is responsible for payment of the tax deferral.

Compensating taxes associated with removing forest land from designated forest land classification are forgiven on portions of the motorsports site that are not covered with an impervious surface. Open space designation is provided for land on the site that is not covered by an impervious surface used for recreation, temporary parking, storm water management, wetlands, and wetland buffers.

The public and entertainment areas of the facility are exempt from leasehold excise tax. Private offices and other area used exclusively by the lessee are subject to leasehold tax.

The authority may make payments in lieu of property taxes to fire protection districts, emergency medical service districts, and other taxing districts for services provided for the direct benefit of the facility.

Bonding. The authority may issue bonds backed by the sales tax credit, the admissions tax, revenues from leasing the facility, and other revenue it may receive. Net bond proceeds backed by the sales tax may not exceed \$145 million. Cities and counties within the authority boundaries may issue bonds on behalf of the authority and to provide credit enhancement to the authority bonds.

Facility Development. Before construction the authority and its lessee, and the host city or county will enter into an agreement that includes the following: (a) the authority or lessee will be responsible for the costs of public infrastructure that are necessary for the operation of the facility as identified through an environmental review of the project; (b) provide that lease of the facility will allow reasonable access of the facility for family recreation and social events, local and

regional business functions, art events, emergency services and public safety training; and (c) the authority or lessee will pay the costs of additional public services required during major motorsports event weekends.

The public speedway authority will determine the overall scope of the facility, approve final design and specification, and approve the final budget for financing, permitting, designing, developing, constructing, and equipping the facility.

The authority will enter into a development agreement with a lessee. The lessee will undertake the development of the facility. The lessee must be a subsidiary or affiliate of a corporation that owns or operates at least 10 professional motorsports facilities and conducts at least 50 nationally recognized motorsport events in the year that the lease agreement becomes effective. The lessee will provide \$180 million toward the cost of development. The lessee will be responsible for the any construction cost overruns. Until authority bonds are issued the lessee will advance funds for public infrastructure and permitting. The project is exempt from public works requirements including public bidding requirements. Contracts entered into by the lessee for construction, operation, and maintenance of the facility are subject to prevailing wage requirements, goals established for the women's and minority business participation, and utilization of apprentices enrolled in state approved apprenticeship training programs.

The host jurisdiction will make the land use permitting decisions. The host jurisdiction is either a first class city that has passed a resolution expressing its intent to annex the land on which the facility is located or the county in which the facility is located. The proceeds of the bonds issued to construct the facility cannot be spent until the host jurisdiction approves a master plan for the facility or the facility site is annexed into a jurisdiction that permits such a facility.

Provisions are made for the development of the public speedway facility related to (a) providing urban services, including storm and sanitary sewer services, in rural areas, (b) allowing a county to provide sewer services within 10 miles outside county boundaries, (c) creating signage exceptions for scenic and recreation highways near the facility, (d) exempting land at the site from the six year moratorium on conversion of forest lands harvested under a non conversion forest practices permit, (e) allowing noise restriction exceptions equivalent to that provided other race tracks, and (f) allowing a first class city to annex the land outside the urban growth area related to the development of the motorsports facility.

Conditions on Lessee. Under the conditions of the master tenant lease agreement the lease term will be at least 50 years. The lessee will pay reasonable rent and be responsible for maintenance and operations of the facility. Any rent above the amount necessary for expenses of the authority will go to funding capital improvements. The lessee will provide major repairs, renovations, and participate in capital improvements necessary to ensure suitability of facility for top tier professional motorsports events. The lessee may sublease to various concessionaires. The lessee may sell the naming rights. The lessee will retain all the revenues derived from operating the facility. The lessee will host at least two major motorsports events each year and make a good faith effort to obtain a Nextel Cup event beginning in the first year of operation. The lessee or affiliated companies will not participate in another facility located within 500 miles that hosts top tier motorsports events. The lessee will make the facility available for community, charitable, and recreational activities, and allow nonprofit groups to provide concessions during motorsports weekends.

Appropriation: None.

Fiscal Note: Draft Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.